

THE PERCEIVED EFFECTS OF BOKO HARAM INSURGENTS ON OUTSOURCING IN SMALL AND MEDIUM ENTERPRISES (SMES) OF ADAMAWA AND BORNO STATES NIGERIA

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Abstract— *The Boko Haram insurgents ravaged the economic activities of the entire north east Nigeria and particularly Adamawa and Borno states in worst situation. Valuable lives and properties were lost and damaged. The Small and Medium Enterprises (SMEs) suffered an unquantified loss of properties and human resources as a result of the insurgency. Consequently this led to loss of profits, business operations, business cessation and jobs. Therefore, this study examines the effects of insurgency on the outsourcing practice in SMEs of Adamawa and Borno states Nigeria. However the study is a qualitative exploratory in which focus group discussion was conducted with the internally displaced owners/managers of the affected SMEs at Yola Internal Displaced Persons (IDP) Camp. The study reveals that the Boko Haram insurgency activities affects virtually all SMEs in Borno State capital Maiduguri and its environs and also hampered business activities in Madagali, Michika, Mubi north, Mubi south, Maiha, Hong and Gombi Local government areas of Adamawa state. Consequently, outsourcing practice is insignificantly negatively affected by the insurgency. Outsourcing vendors lost their clients within that states under study virtually in MSEs. Thus, this study recommends that government should put stringent measures to curtail this menace. Furthermore, the need to address the social vice in order to rescue the economic down turn of this region before it escalates to the nation at large. This should be prioritized instead of playing political games and looting unaccounted security vote monies through deception, self-interest and guile of political office holders.*

Key words: *Boko Haram, Internal Displaced Person's (IDP), Small and Medium Enterprises, Nigeria and Outsourcing.*

I. INTRODUCTION

Adamawa and Borno are states in North Eastern Nigeria whose economic, social, political and cultural life is been affected by the sudden emergence of a terrorist group known as the Jama'atu Ahlis Sunna Lidda'awati Wal-Jihad tagged as Boko Haram. The activities of Boko Haram insurgents erupted in the Borno State capital Maiduguri

town. Later escalated to its environs and the north east in particular and Nigeria in general. The active attack of this group started in the year 2009 and gaining momentum time after time. This has affected the economic activities of Nigeria at large north east in particular and worst in Adamawa and Borno States. The act of this terror group hampered the foreign direct investments, tourism, bilateral relationships among others.

Small and medium enterprises within Borno state has been shattered down by the fear of the unknown and continued to escalate day by day. The issue has attracted attention and became a national security matter. The Boko Haram instill fear in the mind of entire citizenry and foreigners by successive attacks killing, abducting and destroying public and private property. It became so severe at a point that every activity be it political, social or economical is being completely shut down in Maiduguri and its immediate environs like Jere, Konduga, Bama and Gwoza. Thousands became displaced lost their relatives, property and businesses; hundreds being abducted and indoctrinated into the group forcefully while others join willingly thinking they can't beat them.

Small and Medium Enterprises (SMEs) business operation ceased in this affected areas and the business owners and managers became displaced. Business records destroyed, plant and machinery, raw materials, work in process and finished goods all looted. This led wealth to waste, arable land uncultivated, lucrative business abandoned and means of survival became very difficult. Increased food insecurity, unemployment figure rose tremendously, health challenges shelter problems continue be risen issues.

Jama'atu Ahlis Sunna Lidda'awati Wal-Jihad, is a terrorist group which found its roots in the Northeastern Nigeria. It is an Islamist crusade which intensely be in conflict with constitutional laws. Mohammed Yusuf in 2002 founded the group as a Muslim faction that pursues to obliterate the secular system of government and Sharia Law be adopted in Nigeria (Adebayo, 2014). Boko Haram is in Hausa language meaning "Western edification is blasphemy". They involved

in terrorist act of abduction, suicide bombing, destruction of properties, raiding and capturing of villages and towns, mounting their flag as sign of victory and renaming towns under their control. This group Boko Haram uses sophisticated and improvised explosive devices (IEDs) to attack both civilians and armed personnel. They were found responsible for over 1000 deaths in Nigeria (Eme, et. al, 2012) and the neighboring countries such as Cameroun, Chad and Niger. Nigerian government declare Boko Haram as faceless insurgents that do not have a clear structure or apparent chain of command (Adebayo, 2014). And that put more fear to the citizens and the group continue to use social media and internet for their propaganda. Posting you tube videos of deadly attacks, killings, slaughtering of innocent lives, abducted girls among others. Boko Haram's official name is Jama'atu Ahlis Sunna Lidda'awati wal-Jihad which gain popularity over the globe for their terrorist act and were alleged to have links with several terrorist networks such as ISIS and Al-Qaeda. The group address itself as Individuals Devoted to the Spread of Prophet's Traditions and Jihad.

Jama'atu Ahlis Sunna Lidda'awati wal-Jihad popularly known as Boko Haram destabilize business environment in Adamawa and Borno State seriously, through successive attacks that destroyed business premises, settings and ownership. This has interrupted economic activities, caused business cessation, frightened away potential investors, stoppage in production and generated massive unemployment. SME owners/managers suffered total loss in profits, assets and going concerns of their enterprises as a result of the ongoing insurgency.

Because of the above-mentioned anomalies the call for this research paper arises. The main objective of this study is to examine the effect of Boko Haram insurgents on outsourcing by small and medium enterprises of Adamawa and Borno States North East Nigeria. With specific objectives of: 1. To ascertain the aftermath of the insurgents activities on the SMEs continuity in business. 2. To proffer solution and way forward to the owner/managers of the SMEs affected by the social menace.

II. EMPIRICAL LITERATURE

Empirical literatures reveals that most outsourcing is predominantly driven by the enterprises efforts to diminish costs (Adler 2001; Antonucci, et al. 1998; Champy, 1996; Crone, 1992; Drtina, 1994; Dubbs, 1992; Fan, 2000; Gordon and Walsh, 1997; Hendry, 1995). Where existing internal costs are greater than the estimated costs for procuring a product then market governance structure is most preferred (Meckbach, 1998; Hendry, 1995; Welch and Nayak, 1992).

The simple logic or idea of this research paper is that the outsourcing of a task in an enterprise may tremendously enhanced cost savings in selecting, recruiting, training and developing staff, health scheme, bonuses and overtime, and other motivational incentive schemes paid to in-house staff. Furthermore, the enterprise will also save expenditure on infrastructures such as acquiring equipment, computers and accounting software (Hafeez and Andersen, 2014; Kamyabi and Devi, 2011b; Everaert et al., 2010; Dorasamy et. al, 2010; Lamminmaki, 2007). Thus, reduced operational cost, improved focus, access to skilled personnel, speed and accuracy, access to sufficient resources, risk sharing and economies of scale (Kolawole and Agha, 2015; Sonfield, 2014). Consequently, outsourcing might impede the firm's ability to achieve or sustain control over that functions (see, e.g., Barthélemy, 2003; Bettis et al., 1992). For instance, if the accounting services were outsourced, book keeping and account routines may perhaps altered and certain individuals who work in the accounting department might be redundant can be as a result be relieved off their duties. Consequently, the outsourcing enterprises' accounting competencies may possibly be adversely impacted. Outsourcing enterprises normally accomplish cost benefits comparative to vertically integrated firms (Bettis, Bradley, & Hamel, 1992; D'Aveni & Ravenscraft, 1994; Kotabe, 1989; Lei & Hitt, 1995; Quinn, 1992). Therefore, production costs reduces, investment in equipment, plant and machinery also declined (Hubbard, 1993; Kakabadse and Kakabadse 2000a; McEachern, 1996; Muscato, 1998; Razzaque and Chen, 1998; Gilley and Rasheed, 2000; Bettis et al., 1992). Furthermore, declined investment in manufacturing volume pull down fixed costs as well as break-even point. The short-run cost enhancement rapidly buttresses the outsourcing choice. Consequently, outsourcing is a technique of refining an enterprise financial performance within the short run and became attractive to SMEs as cost savings practice (Krizner, 2000; Lankford and Parsa, 1999; Quinn and Hilmer, 1994; Razzaque and Chen, 1998; Roberts, 2001; Vining and Globberman, 1999; Willcocks and Currie, 1997).

However, the effects of other surrounding factors has a link to the outsourcing of services by the enterprise. SMEs in Adamawa and Borno states of Nigeria were hit with a specific factor being the insurgency. The Boko Haram insurgents attack on these areas has impacted negatively on the socio-economic activities of the SMEs. This led to increased unemployment, poverty, frustration and loss of productivity. I observed evidently that the Boko Haram insurgents disrupted SMEs ability to combine expertise and technologies to produce goods, which led to loss of

competencies and competitiveness in business environment. In view of the aforementioned the formulation of main proposition that *“Given that the activities of Boko Haram insurgents in Adamawa and Borno States is still ongoing; SMEs going concern, competencies and competitiveness will not be affected since outsourcing is a risk sharing strategy.*

This proposition guides the focus group discussion to reveal a better practical scenario of the effect of the Boko Haram insurgents on the SMEs outsourcing strategy in the area of study. The discussion took place in a conducive atmosphere and the respondents' identity is withheld due to security reasons and confidentiality.

III. METHOD

This paper is an exploratory research, the purpose of this study permits qualitative research method. In addition, the theme was deliberated and substantiated on a set of experienced internally displaced owners/managers of various SME's from the sampled states; the respondents therefore are said to be focus group.

All respondents were displaced by the Boko Haram insurgents from their various business locations within Adamawa and Borno States. The focus group permitted for collecting comprehensive data and facilitated an intense understanding of the interpretations and practical familiarities of the realities of insurgency attack on businesses. Thus, this is considered as the right avenue for deliberating the issue. The researcher therefore introduce the theme of the discussion and as well thematic guide form used in discussing the consequences of the insurgents on outsourcing services by SMEs. The discussion lasted for about 90 minutes where the focus group discuss each statement and the researcher demanding explanations where need be. This is a direct interaction between the respondents and the author of this paper. The focus group presentation permits the researcher to interrelate directly with respondents and consents respondents to respond to and add to the replies of former group members (Stewart and Shamdasani, 1990). Through the means of this mode, focus group members, however, gain knowledge from each other and transmit also to the researcher in their midst. The researcher and respondents learn from each other's practical experience, skills and knowledge (Fernandez, McCarthy and Rakotobe-Joel, 2001; Razmi, Zairi and Jarrar, 2000).

IV. FOCUS GROUP SESSION AND FINDINGS. SESSION

The session started with discussion on the theme of this paper where the researcher read the proposition to the respondents and they start responding individually on the subject matter, however the responses that have similar theme are condensed together to one so as to achieve the limited number of pages in the guideline of this presentation. Discussant (D) 1, 7 and 12: *“physically, mentally and psychologically I became imbalanced (D12). Waking up one morning only to see all that I have is ruined. My small business that sustained my family is destroyed... this loss of business assets and job is just more than enough to cause havoc (D7). This insurgency brought an unprecedented calamity of its kind. This was never been seen before nor been anticipated by this community (D1)”*. In fact the entire community was shocked and stranded. Consequently, criminal activities engulfed the whole community, physical injuries sustained, valuable properties were stolen, damaged, destroyed and lives lost. What a chaotic situation that render businesses useless and everyone fighting for his live first. As a result of the dominance of crime in the social order, the demographic composition altered by mass movement of populace from crime-prone zones to parts observed to be comparatively crime-free (Adebayo, 2014). This is just the beginning of the socio-economic difficulties in Adamawa and Borno states.

Another set of respondents ((D9, 2 and 8) continued by saying: *“the continuing insurgency led to a significant negative impact on the north east region and Nigerian economy at large. From my own personal knowledge more than five hundreds of small business I know today are grounded by this insurgents in Maiduguri alone (D2). Our business associates and expatriates who partake and established trades in Maiduguri for more than twenty years from today were nowhere to be found in fact some lost their lives and some have moved to crime-free zones (D8) Business customers trooping Maiduguri from neighboring Cameroun and Chad republic were reduced subsequently to increasing restrictions on cross-border traffic flow (D9)”*.

According to another view *“We suffered the calamity and trauma of Boko Boys through their bombing, sporadic shooting and slaughtering us like goats. Our source of livelihood was destroyed and hope lost. Look at me now an average Nigerian businessman turned to be a beggar what a misfortune (D5). Despite the fact that the activities of Boko Haram is deadly but the social media propaganda is scaring us more and more. Therefore, the whole Nigeria grieves and the impact escalated from here and the world over thus, generating fear in the mind of potential local and foreign stakeholders”* added another respondent (D3). In view of the

global village issue the social media through various unqualified bloggers disseminate wrong or misleading information on the internet just to capture attention. This also contribute a lot and being the insurgents also computer literates they actually post disgusting videos and treat massages to instill fear in the minds of potential investors, general public and national security.

Small and Medium Enterprises in this crime-prone zone has face difficulty in manufacturing, cessation of business, loss of lives and business plant and machineries. This led to the increase in cost of production for the surviving business because of lack of economics of scale, manpower, sales volume, diminishing market size and other localization advantages. Respondent consented that: *"Our business is product oriented, the insecurity challenges has broken down the process of our production and destroyed our machineries (D4). I wonder if this is BOKO HARAM or SANA'A (business) HARAM. They kept on attacking people in the market and business gathering instead of schools, sports complex and night clubs. Since they are against secular education, sports and music not business. However, we know this is deliberate because they want to devastate the economy and gain popularity in news. So our production in this area is shifted to another location increasing the cost whereas our product is lost it goodwill and customers"* (D6). Seriously this insurgency has a direct negative impact on the socio-economic aspect of Adamawa and Borno state SMEs and Nigeria at large.

V. FINDINGS

The study reveals outcome of the practical analysis as presented with main emphasis on the relevant findings. Responses of the respondents were basically being identified in quotes. However, SMEs owners/managers basically disputed the main proposition identified, then went ahead to be expressing their practical experience in matter. The sub-propositions were now discussed by the participants to air the respective experience in the issue relating to their business and sudden disruption by the Boko Haram insurgents. It is indeed a hell of experience which has mixed feelings of trauma, confusion and tragedy. The respondents lamented that, had it been there business process was fully outsourced prior to the insurgency their loss will be minimal. Thus, the continuity is rest assured since the risk is shared between them and the service provider. Furthermore, respondents reiterated that the insurgency has made them to quickly realize that outsourcing impact on the going concern, competencies and competitiveness of their enterprises. Considering that part of their outsourced

function which the loss is not borne by the enterprise but it's that of the vendor. Particularly in the issue of book keeping and accounting which was outsourced prior to the incidence of the insurgency remain intact. Majority of the owners/managers of the SMEs who outsourced their accounting services confirmed that records are safe. The outsourcing firm that maintain their accounting records are either online or are located in a different area. Another set of respondents affirmed to this that not only accounting services outsourced were saved but all processes and operations. Those who outsourced janitorial services said that the equipment and man power belongs to the vendor. When this attack was launch, the damage and loss of these equipment is suffered by the expert service provider not the client. Meaning that loss of property and injury to the serving employees will be compensated by the vendor. The focus discussion also revealed that the SMEs owners/managers were frustrated by their nonchalant attitude toward outsourcing certain services. The continued insecurity challenges which is an issue of national security need to be addressed properly to rescue the entire Nigerian economy and the north east in particular. Government is losing money meant for different projects and programs to this challenge yet desired result not attained.

VI. DISCUSSION

This focus group discussion was recorded during the session and subsequently transcribed. Detailed transcripts emphasizing fundamental subdivisions of the substantial proposition was made. However, most arguments are against the proposition and that respondent's dispute that the effect of Boko Haram insurgents have impact on the going concern, competencies as well as the competitiveness of SMEs. The consequences of the Boko Haram insurgents on business enterprises as evidenced by respondents in their discussion was selected and the volume reduced in relevant material to suit the theme of this discussion. The researcher therefore, condensed this text material and subjected it to manual content analysis. From the analysis this studies has revealed that the insurgency has a direct negative impact on the SMEs operating within the competitive business environment in the affected states. This led to serious unemployment issues, treat to food security, health challenges, national security and other macro-economic variables like national income. Consequently SMEs continuity in business is affected by loss of human and capital resources. This therefore trigger warning alert to Nigerian economy because potential foreign investors are

losing interest in doing business in Nigeria. Tourist are warned to stay away from Nigeria for the mean time because of suicide bombing, abductions, killings and many social vices. SMEs business operations were impaired, owners/managers are frustrated by government epileptic measures of handling the matter, economy devastated while insurgents celebrates victory. Notwithstanding these predicament faced by SMEs, the owners/managers believed that outsourcing has a vital role to play with respect to risk sharing in the ongoing insecurity challenge.

VII. CONCLUSION

Security challenges posed by this insurgents remain a serious threat to SMEs in Adamawa and Borno states, national security and cross border trade. The aforesaid activities is widely triggered by abject poverty, unemployment, lack of sustainable youth empowerment programs that ravaged northern Nigeria particularly the North East region. The Micro, Small and Medium Enterprises (MSMEs) was affect adversely by the activities of the insurgents and more significantly it affects the Micro and Small Enterprises (MSEs) compared to Medium Enterprises (MEs). This is due the fact that the insurgents concentrates their attacks where there will be more casualties to attract the attention of both international and local media. Therefore the activities of the insurgents by implication affects outsourcing less significantly since the majority of outsourcing clients are in medium enterprises. Therefore there is no significant relationship between accounting services outsourcing and Boko Haram insurgency. However outsourcing vendors lost an insignificant number of their clients in SEs as a result of the activities of the insurgents in the study area. Consequently, the insurgents are threat to the SMEs there is fear that it will escalate to the entire economy, as such government has to commit itself concretely to restore normalcy in the affected region to save the economy from disintegration.

VIII. RECOMMENDATIONS

- i. Security consciousness is duty bound on everyone, so I recommend that everybody has to be vigilant and help government in trying to curtail this menace. The general public, SMEs owners/managers and all other stakeholders should put hands on deck to fight against this social vice.
- ii. Public enlightenment campaigns on the issue of youths involving in this menace; its social, political

- and economic implications on business, citizens and the economy should be encouraged by government and non-governmental organizations.
- iii. Government of the day should put more emphasis on improving the living standards, unemployment and alleviate poverty since it's the root of all evils.
- iv. Furthermore, the need to address the social vice in its totality to rescue the economic down turn of this region before it escalates to the nation at large. This should be prioritized instead of playing political games and looting unaccounted security vote monies through deception, self-interest and guile of political office holders.

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